

FEDERAL TRADE COMMISSION

July 11-12, 2007

SPAM

SUMMIT

THE NEXT GENERATION OF THREATS AND SOLUTIONS

Putting Consumers Back in Control

Moderator:

Ruth Yodaiken, Attorney,

Division of Marketing Practices, FTC

- How can we empower consumers and businesses in the fight against spam and malware?

Putting Consumers Back in Control

- **Jeffrey Fox**, Technology Editor, Consumer Reports
- **Dave Lewis**, Vice President, Market and Product Strategy, StrongMail Systems, Inc.
- **Miles Libbey**, Senior Product Manager, Yahoo! Mail, Yahoo!, Inc.
- **Linda Sherry**, Director, National Priorities, Consumer Action

Linda Sherry

- Director, National Priorities,
Consumer Action

Consumer Issues Around Spam

Spam Summit: Putting Consumers Back in Control

Linda Sherry
Director, National Priorities
Consumer Action

Complexity

- Protective programs require a quite high level of knowledge to:
 - Purchase
 - Download
 - Install
 - Run effectively
 - Update, etc.
- Standardization among software

Substantial cost

- Consumers must bear the cost of protecting themselves
 - Software costs money (consumer education on free software options?)
 - May miss genuine opportunities because of paranoia
 - May suffer costs related to fraud or computer damage
- Is it fair to consumers to make them responsible for additional costs?

Frustration

- To protect yourself, it takes time and effort
- Just because it stays out of the inbox doesn't mean you don't have to deal with it later in the junk box
- People just give up

Computer performance

- Often negatively affected by security software
- Many programs slow down computers
- Frequent updates and scans are frustrating
- Consumers may turn them off

Onus on consumers

- **To protect themselves**
 - **Recognize phishing and other social engineering tricks**
 - **Find misdirected legitimate e-mails**
 - **Mark spam**
 - **Check junk mail box**
 - **Read and understand consumer education from providers**
 - **Determine trusted entities**
 - **Navigating marketing and privacy options, negative opt-out consents, etc.**

A challenge to tell the difference

- Spam and legitimate bulk e-mail marketing
- Deception and fraudsters
- Takeover account e-mails and genuine ones
- Sneaky graphics and real links/attachments
- Unknown senders who may have something the consumer is interested in
- Aggressive marketing: legitimate senders who bombard customers with too many e-mails

Technology divide, overload

- PCs vs. Macs
- Turning on firewalls, setting security choices
- Make warnings and update alerts meaningful
- Various browsers and capabilities
- Little standardization in industry
- Security software varies by provider
- Unsubscribing vs. spam reporting
- Legitimate use of information in the computer age

Consumer protection

- Who to complain to?
- Global nature of the problem
- Labyrinth of channels for fraudulent e-mails
- CAN-SPAM - right to refuse is 'opt out'
- Coordination between law enforcement entities
- Global compliance issues

Helping consumers get control

- Consider the 'least common denominator' in consumer skills when developing software
- Be consistent in approaches to protecting consumers
- Coordinate strategies across industry
- Standardize terminology and consumer messages
- Set defaults to most consumer-friendly levels
- Don't blame the consumer for failing to protect themselves

Putting Consumers Back in Control

- **Jeffrey Fox**, Technology Editor, Consumer Reports
- **Dave Lewis**, Vice President, Market and Product Strategy, StrongMail Systems, Inc.
- **Miles Libbey**, Senior Product Manager, Yahoo! Mail, Yahoo!, Inc.
- **Linda Sherry**, Director, National Priorities, Consumer Action

Dave Lewis

- Vice President, Market and Product Strategy, *StrongMail Systems, Inc.*



Keeping the Killer App off Death Row

Balancing email security with the demands of a vibrant medium

FTC Spam Summit, Washington DC

July 12, 2007

Dave Lewis

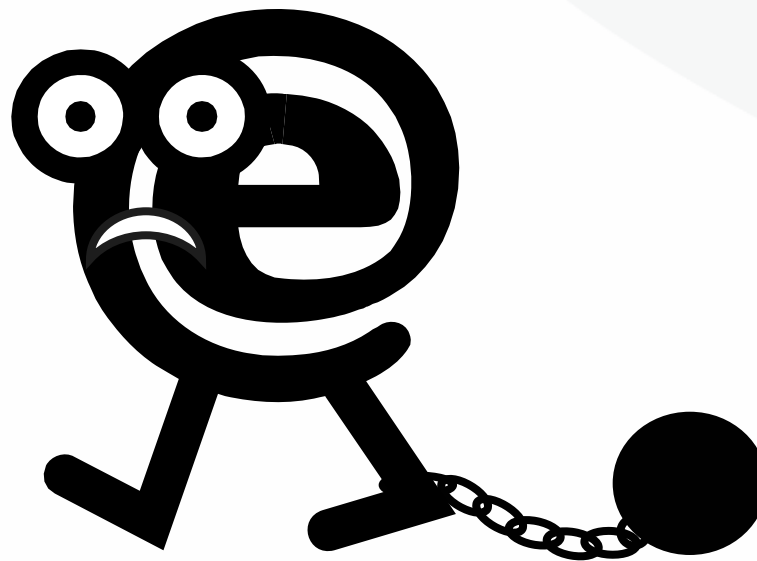
Member, Steering Committee of Email Sender & Provider Coalition (ESPC)

Co-chair of ESPC Receiver Relations Committee

VP of Market & Product Strategy, StrongMail Systems, Inc.



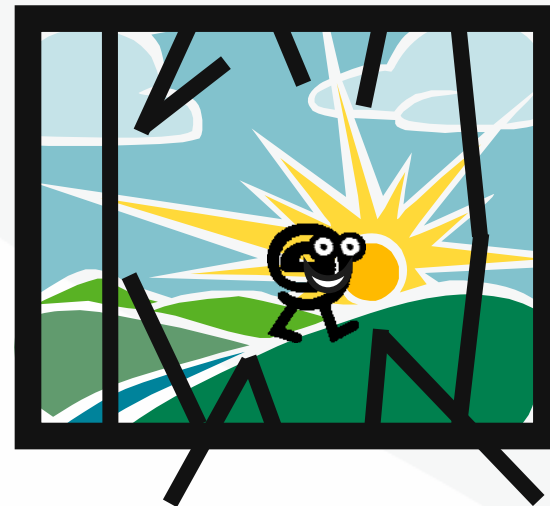
The Killer App is a Shackled Prisoner ...



How do We Keep From Killing Him?



Better ... How do We FREE the Killer App?



Consumer View: Email is Preferred Medium

- > **Consumers are hooked on email. 75% of US households use the Internet. 97% of them regularly use email.¹**
- > **Email is medium of choice for consumers. Email is:**
 - More useful than postal mail: 54% (61% for ages 18-34)²
 - More useful than phone: 52%²
 - Best way to receive service notices, bills, account statements: 41% (50% for ages 18-34)²
 - Best way for companies to communicate with them: 64% (72% for ages 18-34)²

(1) Forrester Research Report, 03/07

(2) MarketingSherpa/StrongMail Survey, 01/07

Business View: Email is Mission-critical

Marketers are hooked on email too. 95% use it.¹ Email offers unique benefits and it works.

- Email generated \$16.5 billion in 2005. Projected at \$18.5 billion in 2006; \$37 billion by 2011.²
- Email returned \$57.25 per dollar spent in 2005. (Print catalog was \$7.09.)²

Companies rely on email for non-marketing communications with customers, partners and suppliers. Has potential to displace postal mail.

Email is at the nexus of eCommerce.

Many companies are dependent on email; can't revert.

(1)Forrester Research Report, 03/07

(2)DMA's "Power of Direct" Report, 10/06

Why is Killer App a Shackled Prisoner?

- > Despite adoption and usage, email remains troubled medium.
 - We've failed to solve the "spam problem."
 - Consumers still distrust email.
 - Companies also distrust email. Distrust ISPs too.
 - ISPs distrust companies who send email.
- > **Result:**
 - Potential of email for business communication and commerce remains unrealized, including displacement of postal mail.
 - The Killer App is being held hostage to our own inadequate solutions and relationships.



What will Kill the Killer App?

- > Email's status as Killer App is under assault by abusive practices and measures taken to contain them.
- > Spam won't kill the Killer App. Our own failings will. What will kill the Killer App are:
 1. Failure to solve the spam problem through self-regulation invites government intervention.
 2. Failure to find the right balance between email security and legitimate use impairs communication and commerce.
- > If either occurs, the Killer App as we know it is dead. We're getting dangerously close to both.

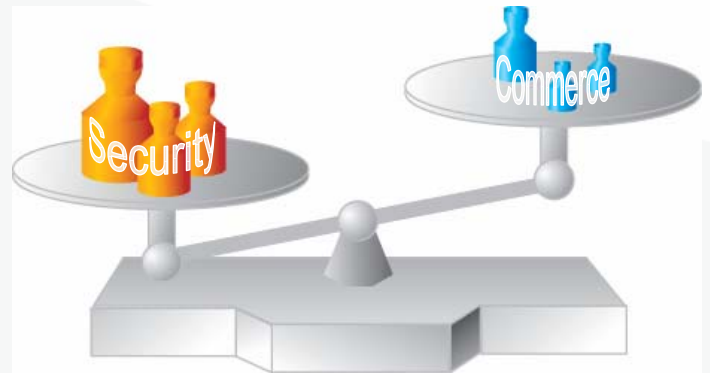


How to Keep the Killer App off Death Row?

- > There are two ways to prevent this outcome and realize email's potential.
 1. Inject some new thinking into the debate.
 2. Engage all stakeholders in email ecosystem – consumers, receivers and senders – in collaborative way to preserve and enhance medium. Redefine the roles each should play.

New Thinking – Balance the Scales

- > Be as concerned about vitality of email medium as security. **Balance the scales.**
- > Redefine “protection” to mean protecting consumers against what’s harmful and unwanted and protecting their right to receive what’s safe and wanted.
- > Protect the commercial interests of legitimate companies who depend on email too.



New Thinking – Redefine Spam

- > Redefine “spam.” Recognize two classes:
 1. **EVIL.** Email that’s dangerous and doesn’t conform to regulation (criminal).
 2. **BAD.** Email that conforms to regulation, but not good practices and is annoying (junk).
- > Stopping the EVIL is crucial to email security and consumer trust. Applying same tactics to the BAD is what produces false positives and endangers the medium.
- > Redefine roles of key stakeholders – consumers, receivers and senders – in dealing with EVIL (criminal) versus BAD (junk) email.



New Roles - Consumers

- > Lots done in consumers' name, but their voice hasn't been heard. Used proxies (filters) to decide what they want.
- > ESPC survey suggests consumers are able and willing to play more active role.
 - More savvy managers of inboxes than previously thought.
 - Willing to play much more proactive role if given tools
 - 53% want “Trust Tokens” despite low availability
 - 90% want “Unsubscribe” button in interface
 - 80% want “Report Fraud” button
 - 66% will give “Feedback” on why email reported as spam
- > Let consumers sort GOOD from BAD. Has game-changing potential to move beyond spam filters, make reputation systems actually work.

New Roles - ISPs

- > **Relations with Consumers.** Continue to shield consumers from dangerous (EVIL) email. Shift tactics on the BAD. Empower consumers with trust tokens and tools to deal with it. Exit today's no-win, censor role.
- > **Relations with Senders.** Provide mechanisms for consumers to give feedback directly to senders. Align sender incentives with desired behavior; reward good senders with extra privileges.
- > **Authentication & Reputation.** Make authentication mandatory now. Make acceptance rules transparent. Roll-up sender reputations to real world companies (follow the money). Share reputation data, publicize it.

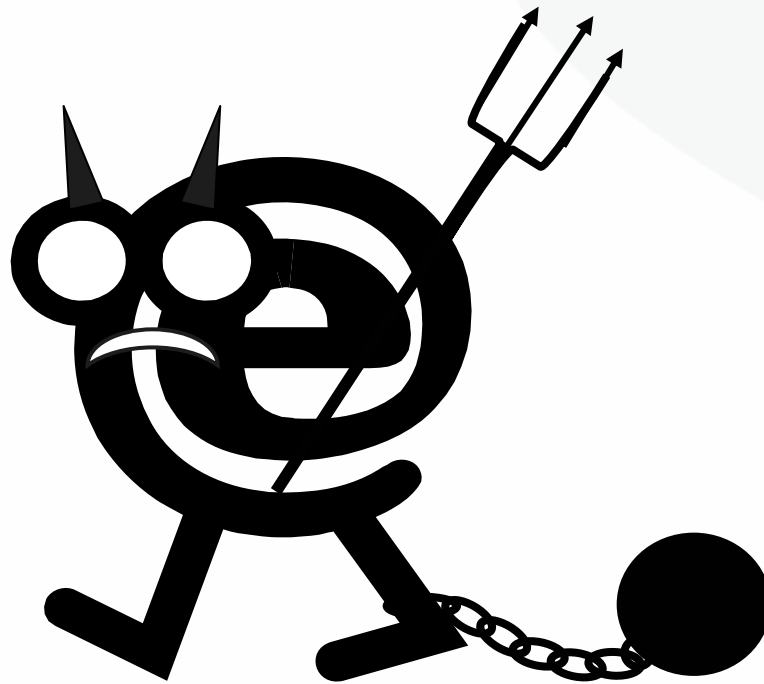
New Roles - Senders

- > Senders need to clean-up their act. Get metrics in order and make better use of ISP data to improve practices and become more productive partners.
- > First and foremost, senders must alter mind-set that low cost of email is excuse for excessive, irrelevant messaging.
- > Senders who don't change will discover unpleasant truth: being accountable to consumers will not make email a kinder, gentler place. They'll be less forgiving than ISPs.
- > **Net Result:** Risk of being barred from their customers' preferred medium will prompt behavior change ... and help make BAD email GOOD.

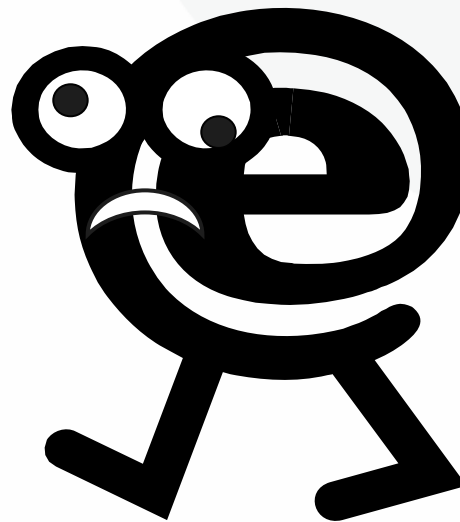
What Does it Take?

- > Recognizing that we “own” the outcome and we’re in it together.
- > Fulfilling our respective roles and finding solutions that satisfy mutual needs.
- > Trusting each other.
- > Empowering consumers to be the final arbiters of who plays and who doesn’t.

Put EVIL Where it Belongs ...

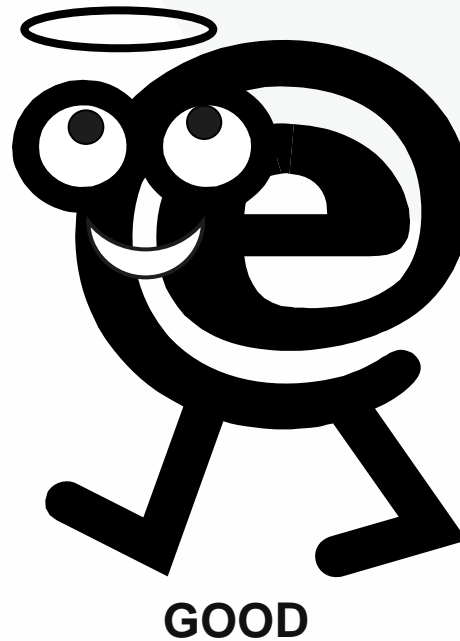


Convert BAD to GOOD ...

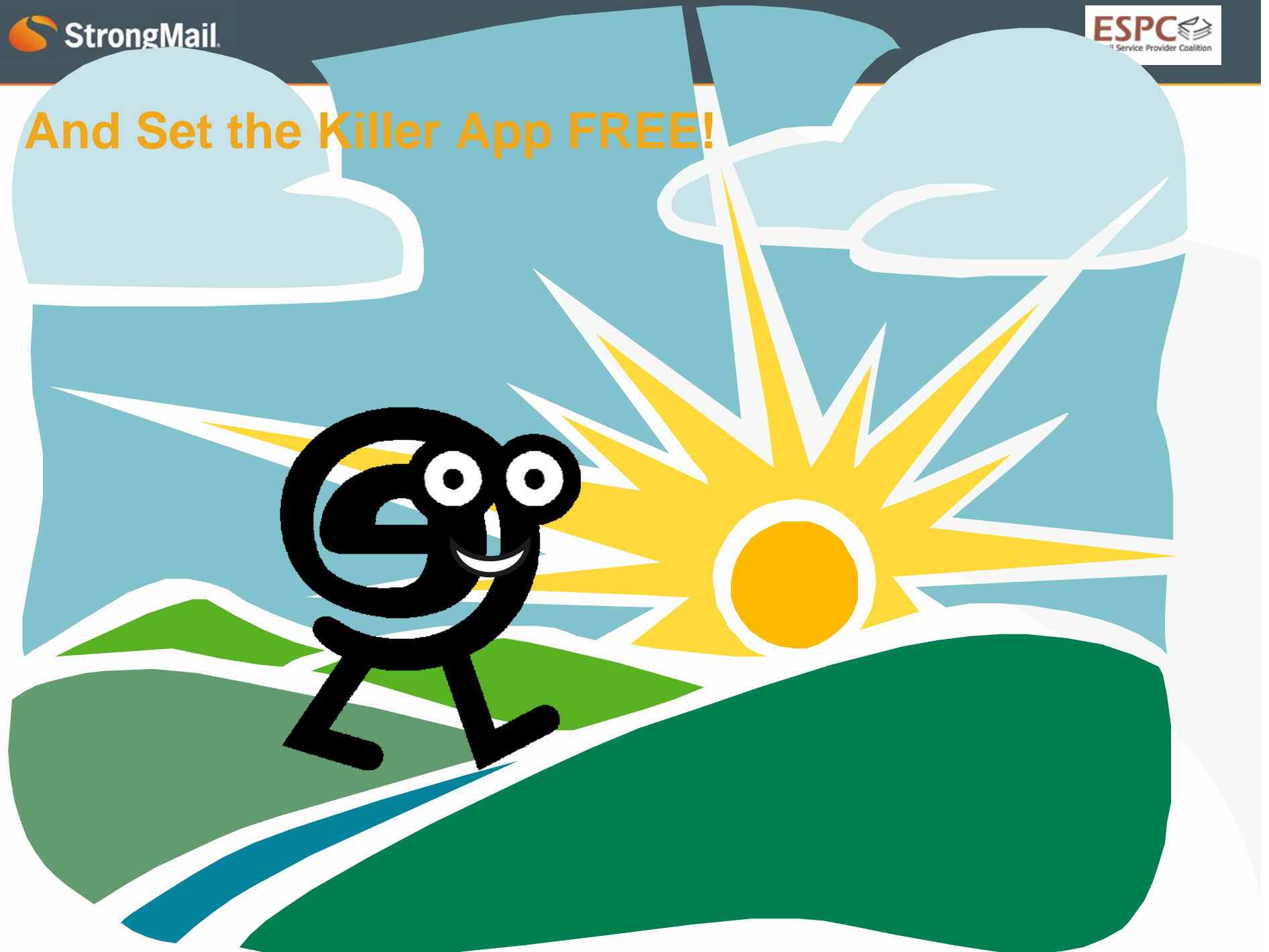


BAD

Convert BAD to GOOD ...



And Set the Killer App FREE!



Putting Consumers Back in Control

- **Jeffrey Fox**, Technology Editor, Consumer Reports
- **Dave Lewis**, Vice President, Market and Product Strategy, StrongMail Systems, Inc.
- **Miles Libbey**, Senior Product Manager, Yahoo! Mail, Yahoo!, Inc.
- **Linda Sherry**, Director, National Priorities, Consumer Action

Jeffrey Fox

- Technology Editor, *Consumer Reports*



“Putting Consumers Back in Control”

Jeffrey Fox

Technology Editor, Consumer Reports



Background

- From several years, Consumer Reports has been testing and rating antispam and other protection software.
 - 2002 Antivirus
 - 2003 Antispam
 - 2004 Anti-spyware

In September 2004, we began publishing the annual Consumer Reports State of the Net report

Based on a nationally representative survey measuring the incidence and costs to American consumers of spam, viruses, spyware, and phishing scams

Conducted by the Consumer Reports National Research Center



STATE OF THE NET 2006

The risks associated with using the Internet remain high. Our third annual State of the Net assesses the likelihood and impact of four leading online hazards, listed in order of incidence, based on the nationally representative survey conducted by the Consumer Reports National Research Center and our follow-up investigation.

SPAM

OVERVIEW

The incidence of heavy spam remains as elevated as last year. Spam still makes up most of the e-mail traffic on the Internet, clogging the In boxes of tens of millions of U.S. households.

NATIONAL INCIDENCE

1 in 2 experienced high levels of spam

VIRUSES

OVERVIEW

The frequency of virus-induced problems is at the same high level as last year. Despite the absence of any highly publicized outbreaks, viruses are still widespread and quite hazardous.

NATIONAL INCIDENCE

1 in 4 had a major, often costly problem

ECONOMIC FALLOUT

Cost per incident

\$109

Total damage

\$5.2 billion

SPYWARE

OVERVIEW

Despite a decline in the incidence of spyware, its resulting problems remain epidemic. In the previous six months, spyware infections prompted nearly a million U.S. households to replace their computer.

NATIONAL INCIDENCE

1 in 8 had a major, often costly problem

ECONOMIC FALLOUT

Cost per incident

\$100

Total damage

\$2.6 billion

PHISHING

OVERVIEW

Phishing attacks are as rampant as they were last year, while the median cost per victim has increased five-fold. In 2006 alone, the number of fraudulent sites has risen at an alarming rate.

NATIONAL INCIDENCE

1 in 115 lost money from an account

ECONOMIC FALLOUT

Cost per incident

\$850

Total damage

\$630 million

- **2007 CR State of the Net 2007:**

[to be published in our September 2007 issue: release date early August.]

- The following spam-related trends and analyses are based on:
 - 2004-2007 CR State of the Net
 - Ratings of antispam software from 2003 through the September 2007 report

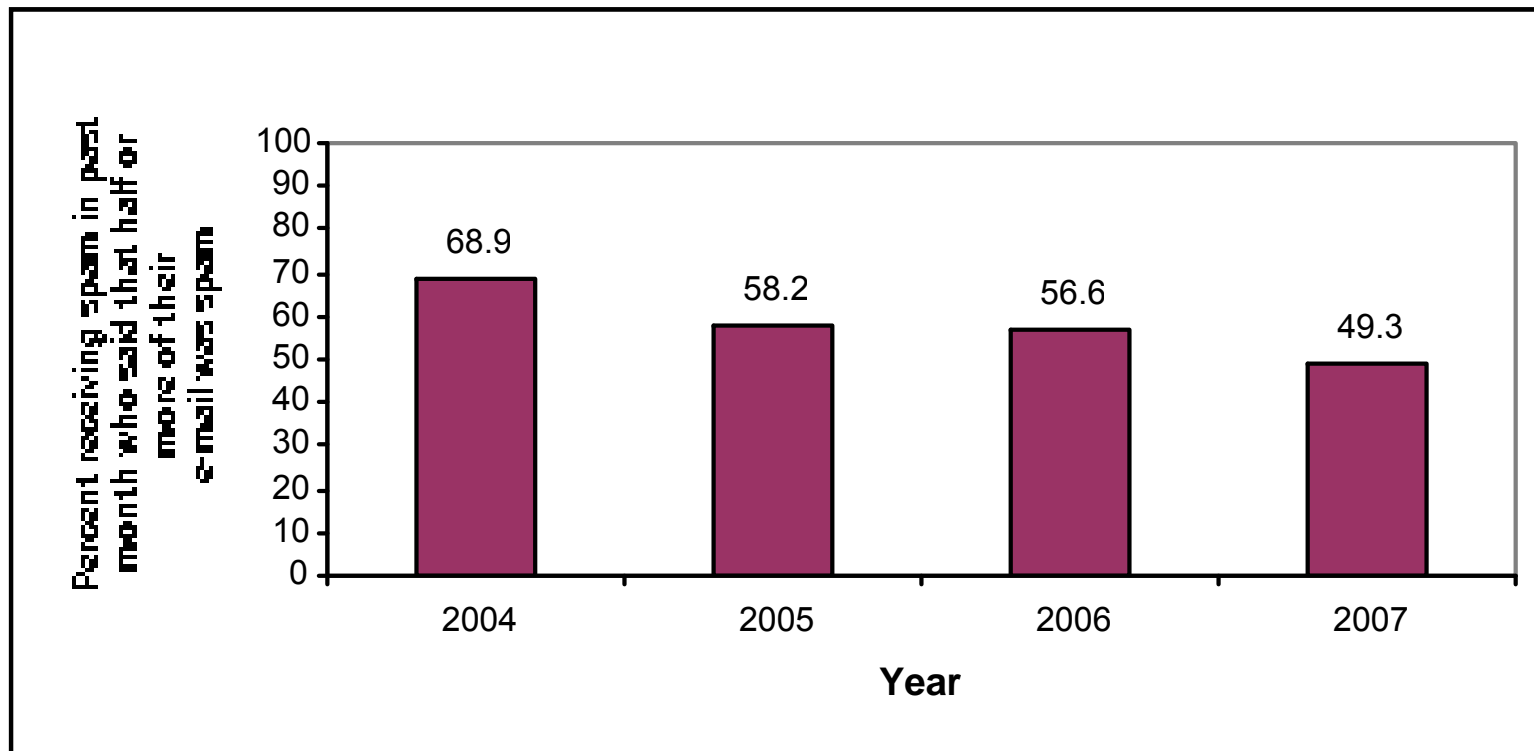
Two key questions:

Are consumers receiving more or less spam these days?

How is antispam software holding its own in the arms race against spammers?

Consumers say spam is easing...

Prevalence of Spam by Year



Source: Consumer Reports State of the Net, 2004-2007
Consumer Reports National Research Center

...CR finds antispam products are losing ground

| Consumer Reports Ratings | E-mail programs | Add-on spam blockers |
|--------------------------|---------------------|----------------------|
| | # passed / # tested | # passed / # tested |
| 2003 | 0/2 | 1/9 |
| 2004 | 0/3 | 2/7 |
| 2005 | 2/2 | 2/8 |
| 2006 | 2/2 | 4/11 |
| 2007 | 1/2 | 2/11 |

Passed means a model scored Excellent in one of Consumer Reports's two main Ratings performance tests and Very Good or Excellent in the other.

What else have we learned?

Our four-year analysis provides

GOOD NEWS

and

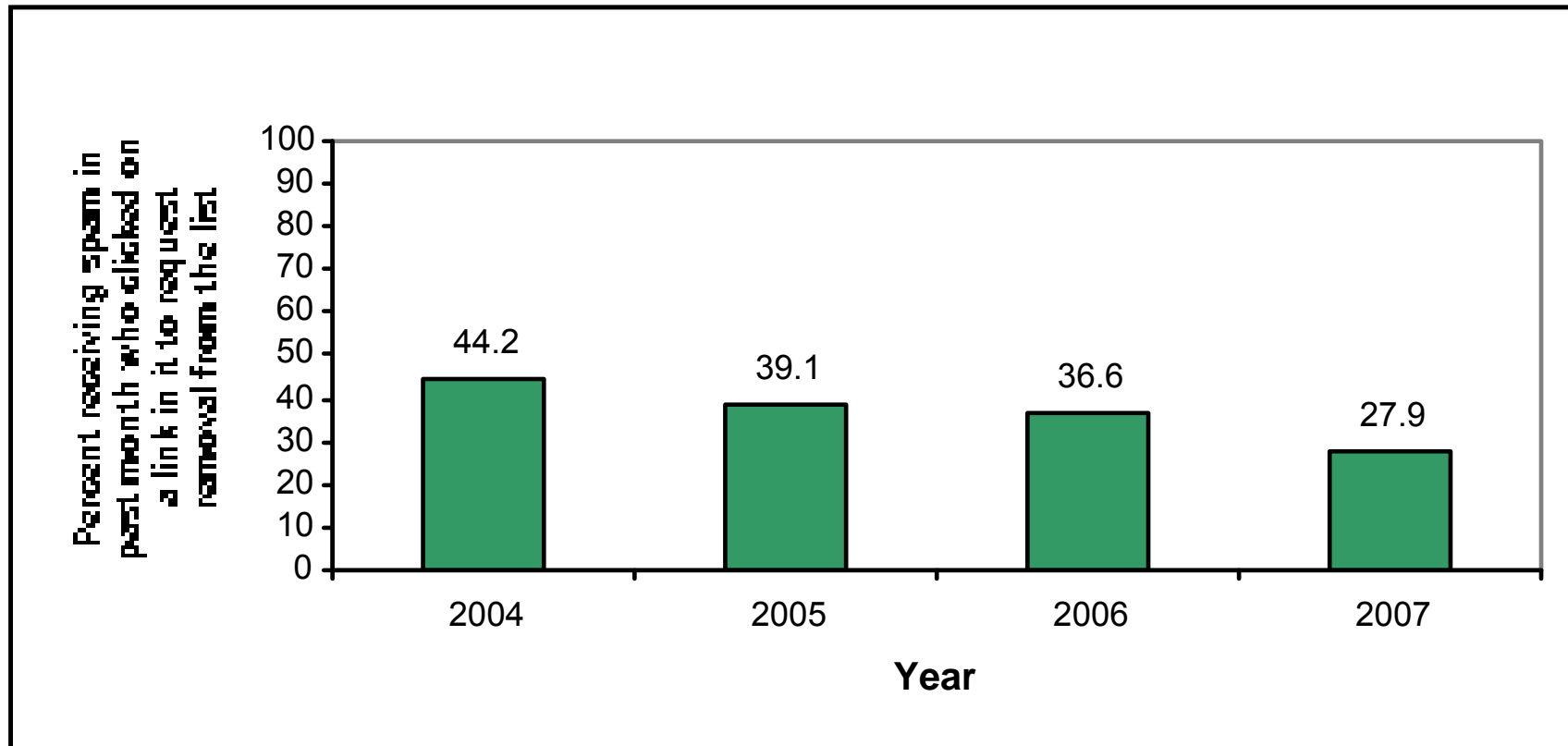
BAD NEWS.

GOOD NEWS:

Consumers are getting
smarter about protecting
their e-mail and computers

Fewer are clicking on links in spam

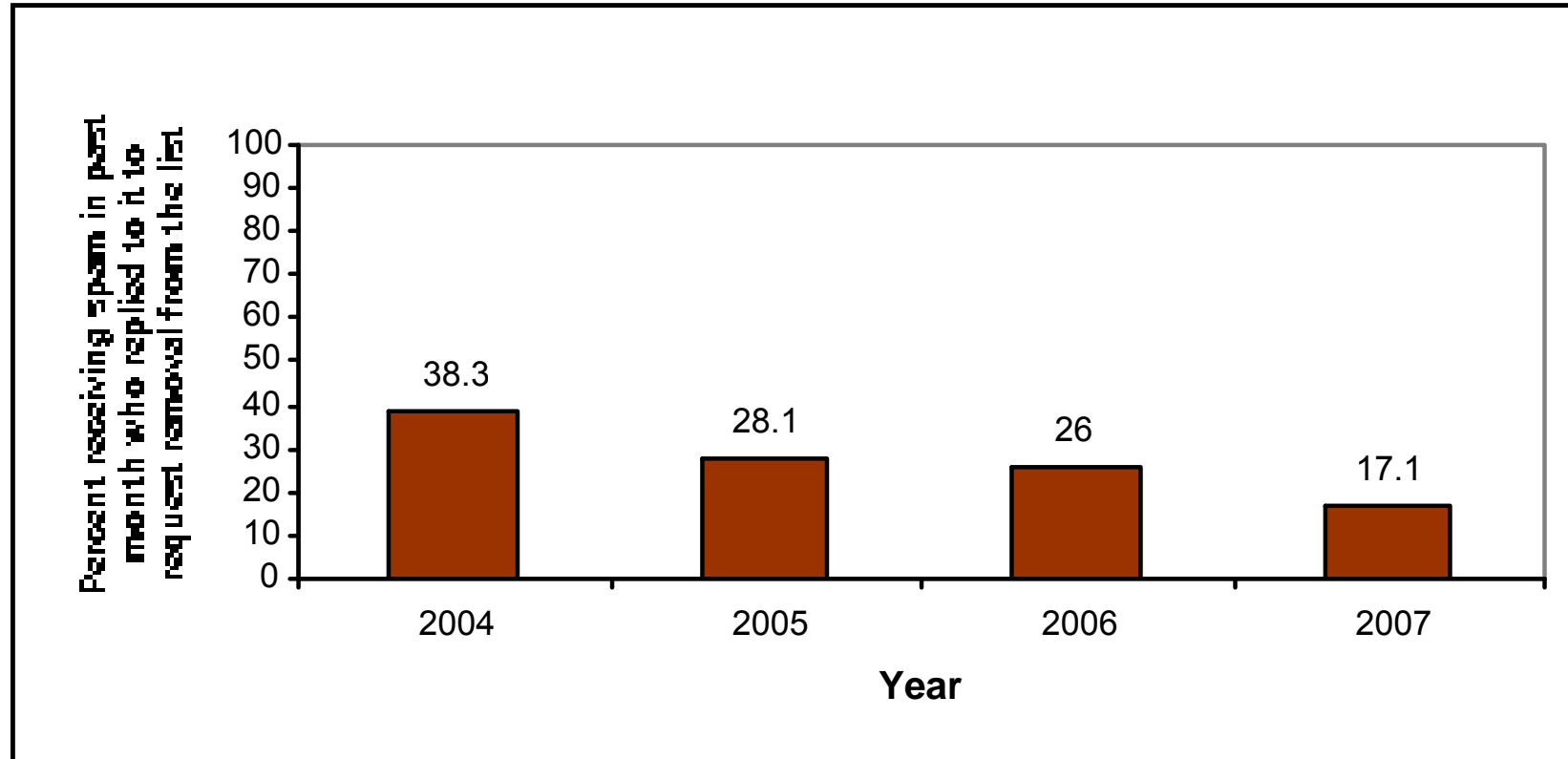
Trying to Stop Spam by Clicking on a Link



Source: Consumer Reports State of the Net, 2004-2007
Consumer Reports National Research Center

Fewer are replying to spam

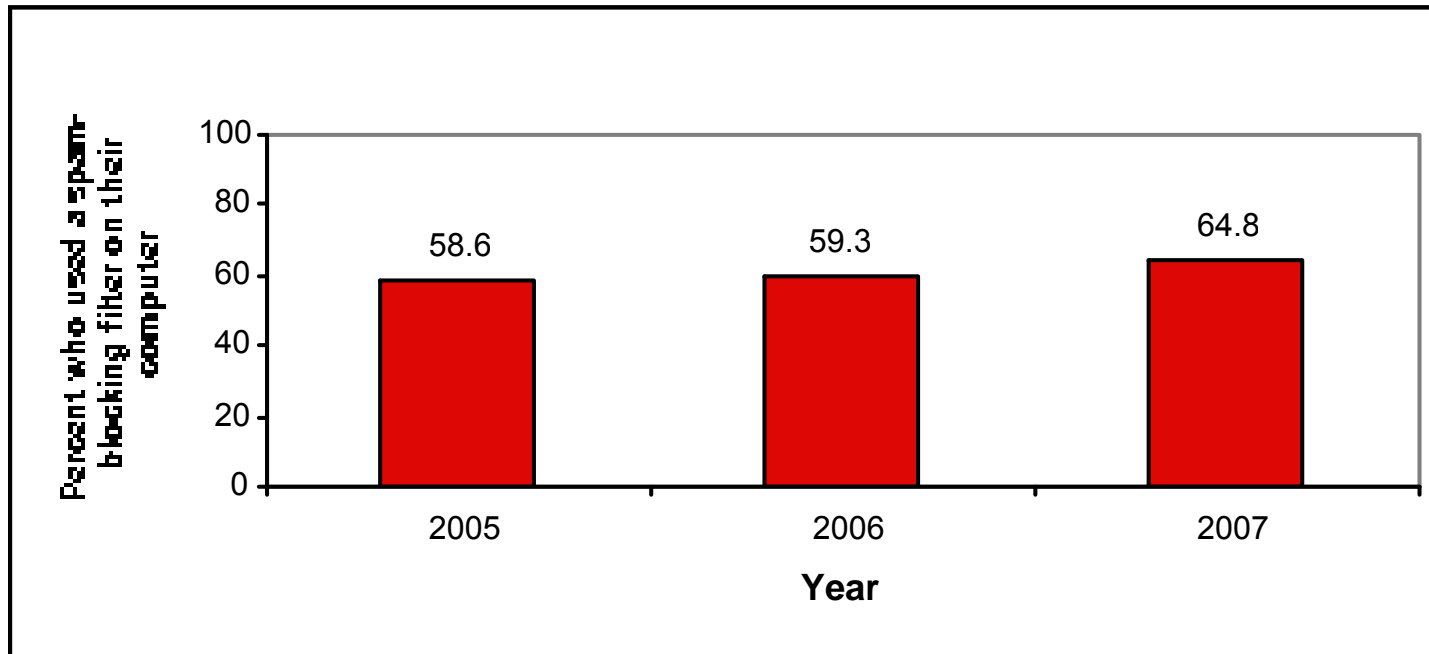
Trying to Stop Spam by Replying to it



Source: Consumer Reports State of the Net, 2004-2007
Consumer Reports National Research Center

Many use a spam blocker

Use of a Spam-Blocking Filter

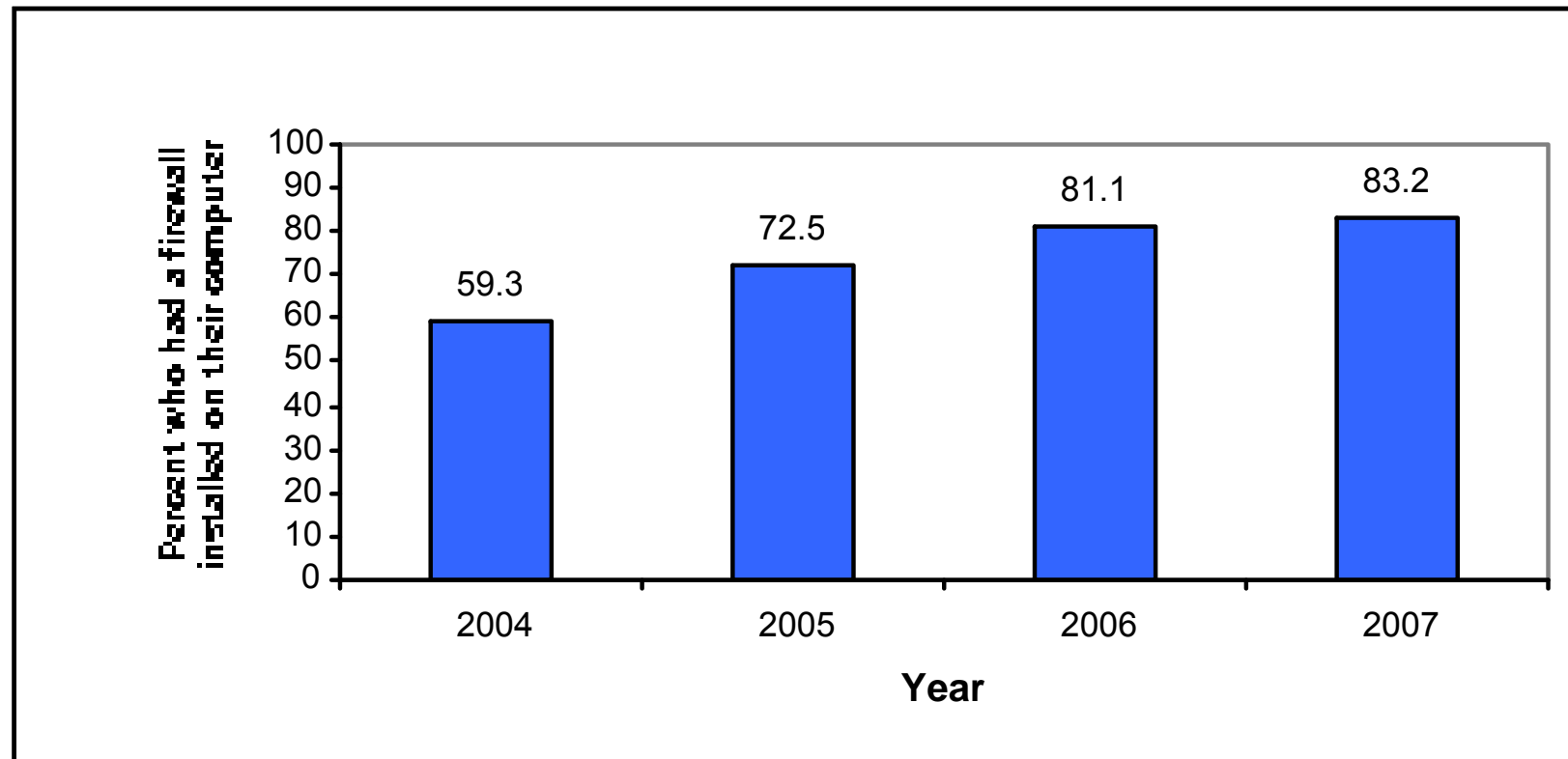


Source: Consumer Reports State of the Net, 2005-2007

Consumer Reports National Research Center

More and more are using a firewall

Firewall Use by Year



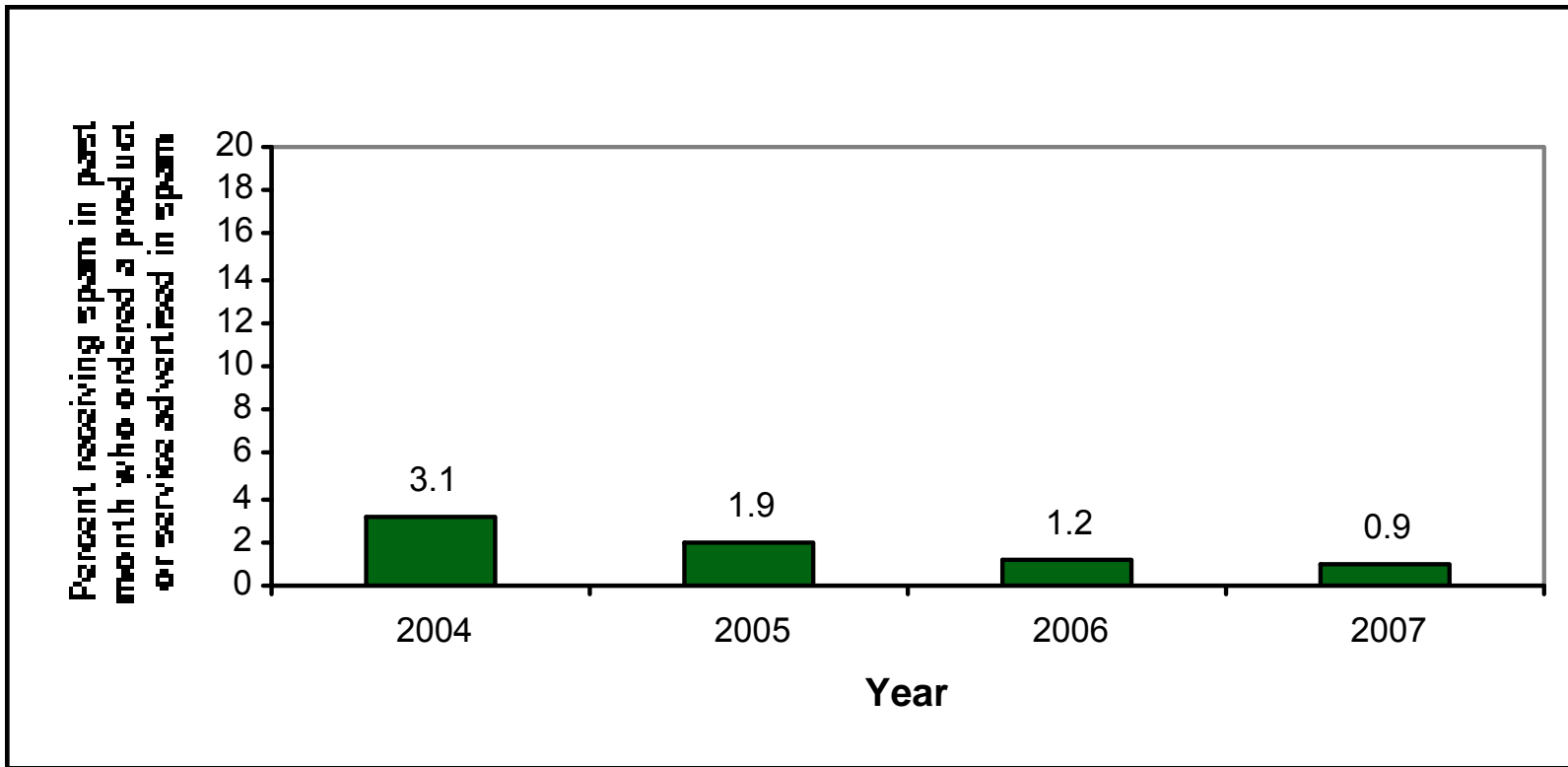
Source: Consumer Reports State of the Net, 2004-2007
Consumer Reports National Research Center

BAD NEWS:

But many consumers
still engage in
behaviors that help
the bad guys

Many still patronize spammers

Patronizing Spammers

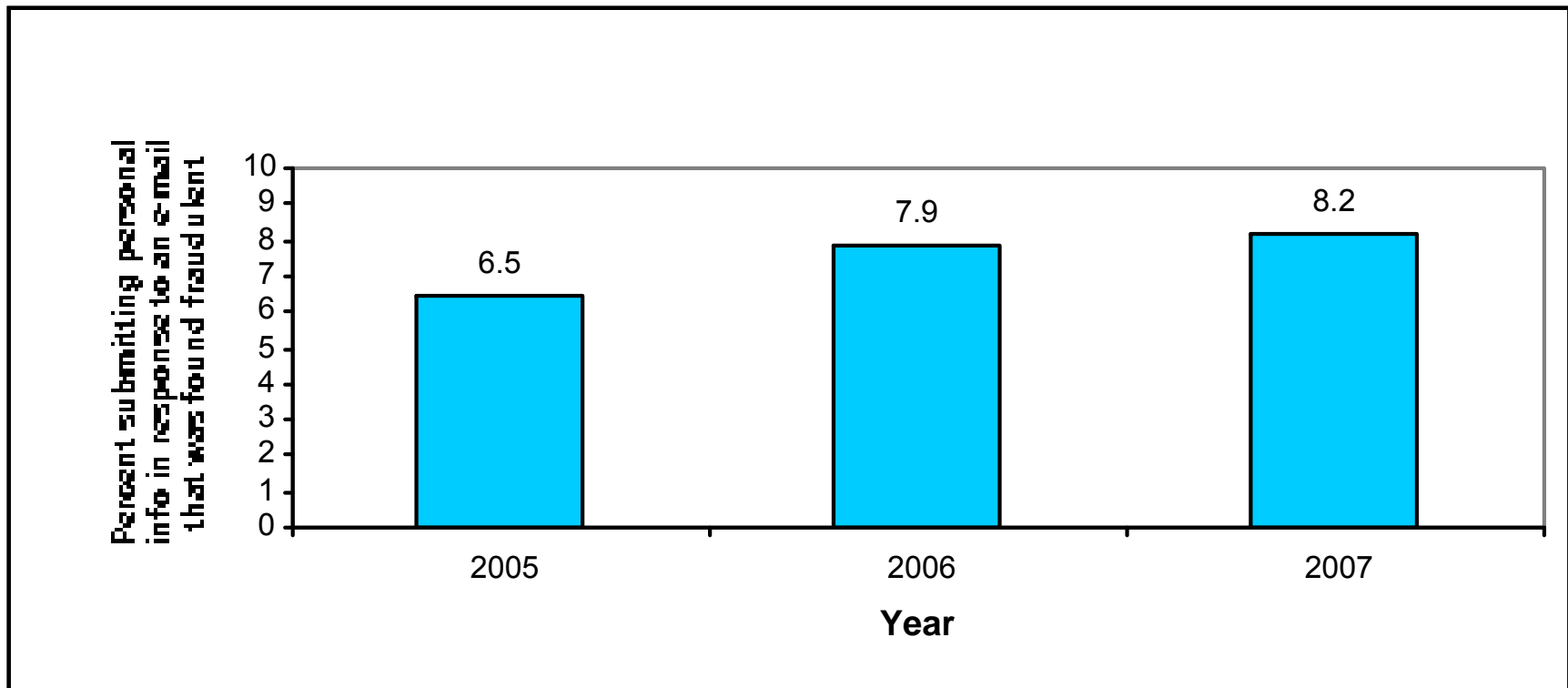


Note: 2007 figure represents more than 1/2 million consumers

Source: Consumer Reports State of the Net, 2004-2007
Consumer Reports National Research Center

And many still respond to “phishers”

Submitting Personal Information to a Phishing-style E-mail



Source: Consumer Reports State of the Net, 2005-2007
Consumer Reports National Research Center

Recommendations: How to Empower Consumers

To government, industry, and the media:

Education is working. Build on it.

- More emphasis on phishing scams
- PSAs (Public service announcements)
- Computer stores and web sites
- Computer packaging
- Schools
- Incentives to keep protective software updated (e.g. rebates, tax credits)

To Congress:

Make CAN-SPAM work for consumers.

- Make opt-in the default.
CAN-SPAM opt-out ≠ empowerment.
Stop legitimizing spammers.
- Establish private right of action similar to the Junk Fax law (Telephone Consumer Protection Act of 1991)
- Give the FTC all the resources it needs to take full advantage of the US Safe Web Act.

To software manufacturers:

Make software user friendly.

- E-mail clients should display understandable message headers, so user can tell where message came from. Not this:

- Status: U
- Return-Path: <ssezer@superonline.com>
- Received: from noehlo.host ([127.0.0.1])
 - by samuel.mail.atl.earthlink.net (EarthLink SMTP Server) with SMTP id 1hZ6vO2qm3NI3pv0; Fri, 15 Jun 2007 03:46:28 -0400 (EDT)
- Received: from qweb02.superonline.com ([212.252.122.180])
 - by samuel.mail.atl.earthlink.net (EarthLink SMTP Server) with ESMTP id 1hZ6vN39r3NI3pv1
 - for <xyz@peline.com>; Fri, 15 Jun 2007 03:46:28 -0400 (EDT)
- Received: (qmail 24210 invoked from network); 15 Jun 2007 07:46:26 -0000
- Received: from unknown (HELO test01.superonline.com) ([212.252.122.136])
 - (envelope-sender <ssezer@superonline.com>)
 - by qweb02.superonline.com (qmail-ldap-1.03) with SMTP
 - for <james_martin@pcworld.com>; 15 Jun 2007 07:46:26 -0000
- Message-ID: <9055298.1181893586193.JavaMail.root@test01.superonline.com>
- Date: Fri, 15 Jun 2007 10:46:26 +0300 (EEST)
- From: Shell Petroleum Development Company <ssezer@superonline.com>
- Reply-To: spdc.shelldept@yahoo.se
- **Subject: Award Notification Final Notice.**
- Mime-Version: 1.0
- Content-Type: multipart/mixed;
 - boundary="-----_Part_6282_29212679.1181893586191"
- X-Originating-IP: [81.199.179.12]
- X-ELNK-Received-Info: spv=0;
- X-ELNK-AV: 0
- X-ELNK-Info: sbv=0; sbr=.0; sbf=0b; sbw=000;

More software recommendations:

- Firewalls should clearly identify which products are attempting outgoing communications.
(i.e. no more “VSP32X.EXE”)
- Firewalls should detect and alert user of zombie-like activity, such as outgoing communications at 2 AM or when no e-mail client is running.

To Microsoft:

- Fix Windows Vista's outgoing firewall.
For details about this problem, see:

Windows Vista's firewall: cracked plaster?

Consumer Reports Electronics Blog

http://blogs.consumerreports.org/electronics/2007/02/microsoft_vista.html

To ISPs and the Internet community:

Make e-mail accountable.

- Fix our antiquated e-mail system, while retaining postage-free e-mail for consumers.
- Adopt and deploy at least one industry-standard, non-proprietary (i.e. not subject to intellectual property claims) e-mail authentication system.

Putting Consumers Back in Control

- **Jeffrey Fox**, Technology Editor, Consumer Reports
- **Dave Lewis**, Vice President, Market and Product Strategy, StrongMail Systems, Inc.
- **Miles Libbey**, Senior Product Manager, Yahoo! Mail, Yahoo!, Inc.
- **Linda Sherry**, Director, National Priorities, Consumer Action

Miles Libbey

- Senior Product Manager, Yahoo! Mail, *Yahoo!, Inc.*



Yahoo! Anti-Spam Technologies for Consumers

Yahoo! Mail's Approach to Spam


- Largest Web mail provider in the U.S. and in the world (comScore, U.S. and WorldMetrix, May 2007)
 - 250M worldwide users
 - 82M U.S. users
- Community identifies what they consider spam
 - Special override filters for users that disagree
- Extreme distaste for false positives
 - Most spam delivered to spam folder
 - Users can find and report

User-Facing Anti-Spam Features

- **SpamGuard and “This is Spam” Button**
 - Users report spam and help protect the community
- **SpamGuard Plus**
 - Personalized spam filtering for premium users
- **AddressGuard**
 - Create and manage disposable e-mail addresses to defend primary address against spam
- **Blocked Senders and Filtering**
 - Block addresses from which you don't want to receive mail, or set custom filters to divert mail out of inbox
- **Message Views**
 - Prioritize or show only messages from certain senders or groups of senders (e.g. Address Book Contacts)
- **Sign-In Seal**
 - “Virtual watermark” lets consumers personalize Yahoo! login pages, providing unique protection against phishing scams

Sign-In Seal: Prove It's Yahoo!

- Yahoo! Sign-In Seal allows people to personalize their login pages
 - Users' own images or words (i.e. a virtual watermark)
- Personal protection against phishing scams
 - Before logging in, users know they are providing the information on a legitimate Yahoo! page
 - If the seal does not appear, users know that they could be on a fraudulent site



Is this your sign-in seal? If it isn't, [make sure](#) you're on a legitimate Yahoo! web site.

[Change Sign-in Settings](#)
[What's this?](#) | [Feedback](#)

Yahoo! ID:

Password:

☒ Remember my ID on this computer

[Forget your ID or password?](#) | [Help](#)

Consumer Tips for Avoiding Spam

- **Report spam using the *This is Spam* Button** – helps ISP filter junk mail and better protect you
- **Give out your primary email address sparingly**
 - only to individuals and companies you trust
 - Disposable Email Addresses
- **Don't respond to spam** – encourages the spammer to continue sending

Putting Consumers Back in Control

- **Jeffrey Fox**, Technology Editor, Consumer Reports
- **Dave Lewis**, Vice President, Market and Product Strategy, StrongMail Systems, Inc.
- **Miles Libbey**, Senior Product Manager, Yahoo! Mail, Yahoo!, Inc.
- **Linda Sherry**, Director, National Priorities, Consumer Action

BREAK

Afternoon Break: 2:30 PM to 2:45 PM